

PROFITABILITY: BAROMETER OF FINANCIAL HEALTH OF ENTITIES

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Abstract

Profitability, as an expression of efficiency, represents a key indicator in the analysis of entities' financial performance, being closely linked to their viability and resilience in an ever-changing economic context. This paper explores the role of profitability as a central indicator of the financial health of entities. The first part presents the theoretical concepts of profitability and the main profitability ratios, highlighting how they reflect resource efficiency, managerial performance and the development potential of entities. The applied section illustrates the practical use of these ratios by calculating and interpreting them for a selected entity, demonstrating their relevance in evaluating financial performance and supporting informed decision-making.

Keywords: profitability, financial performance, profitability ratios, financial health, decision-making

Clasificare JEL: M40, M41

1. Introduction and context of the study

Increased competition among economic agents for access to resources, markets, and financing mechanisms amplifies the importance of financial performance in assessing the viability and sustainability of their economic activity.

At the entity level, the concept of performance is associated in the literature with efficiency and effectiveness. Thus, according to Professor Balteș, N., efficiency represents „*the component of rationality in economic activity that expresses the concrete form of the relationship between the efforts and effects of the activity of each firm and the economy as a whole*” [1, p. 186], characterizing economic activity from both a quantitative and qualitative point of view. From a quantitative point of view, economic and financial results are expressed in terms of labor consumption or potential productive factors. From a qualitative point of view, it reflects the degree of utilization of material resources and satisfaction of social and individual needs at a given moment, corresponding to the level of development of production factors and the nature of production relations [1, p. 186-187]. At the same time, the group of authors coordinated by Petcu, M. A. believes that effectiveness „*aims to achieve the proposed objectives, so while efficiency circumscribes processes, effectiveness refers to goals*” [2, p. 314].

In the paper „Financial Performance of the Enterprise” [3], author Dănilă, A. emphasizes the importance of efficiency and effectiveness in the conceptual foundation of performance, stressing that these two theoretical pillars are essential in the coherent evaluation of an entity's results. In this sense, efficiency, as defined by American consultant Drucker, P., means „*doing things right*” while effectiveness means „*doing the right things*”. Thus, in economic terms, efficiency implies either maximizing the results obtained with a given amount of resources (maximizing value) or minimizing the amount of resources used to achieve a certain result (minimizing costs) [3, pp. 13-14]. Similarly, according to the group of authors coordinated by researcher Robu, V., „*performance is achieved when an entity is both efficient and effective at the same time*” [4, p. 300].

Within this conceptual framework, it becomes necessary to identify an indicator capable of summarizing, in a concise and quantifiable form, the combined results of the efficiency and effectiveness of economic activity. Profitability thus emerges as an essential barometer of financial

performance, as it reflects the entity's ability to transform the resources committed and the risks assumed into sustainable economic results.

The relevance of the research topic is determined by the increasing complexity of economic and financial decisions and the need for relevant indicators for performance evaluation. Thus, profitability is a barometer of financial health, providing stakeholders with a tool for assessing medium- and long-term sustainability and viability.

Despite the diversity of indicators used in financial analysis, the literature highlights that not all of them consistently capture the relationship between resources employed and results achieved. In this context, profitability indicators stand out for their ability to summarize the efficiency of capital use, the effectiveness of managerial decisions, and the impact of economic conditions on financial results. Thus, profitability analysis provides not only a static picture of performance, but also relevant benchmarks for assessing the dynamics and sustainability of economic activity.

The purpose of this scientific paper is to highlight profitability as a tool for evaluating financial performance by presenting the main profitability ratios and applying them based on the financial statements of a selected entity in order to provide practical support in analyzing economic efficiency. To achieve the proposed goal, the research approach was built on an integrated methodological approach that combines two dimensions: theoretical-documentary and bibliometric-analytical. The research uses established methods in the social sciences, such as analysis, comparison, and synthesis, and includes a bibliometric analysis of the specialized literature on profitability, carried out with the Biblioshiny platform based on data from Web of Science.

Deepening the concept of profitability, in correlation with financial performance, requires examining scientific literature from a quantitative perspective. In this sense, bibliometric analysis proves to be an adequate tool for investigating the dynamics, coherence, and thematic orientations of scientific research dedicated to financial performance and concepts associated with profitability. Through this approach, an overview of the evolution of academic interest in this concept can be outlined, as well as the main research directions developed internationally.

The analysis is based on a query of the Web of Science (WoS) database, renowned for its rigorous publication selection process and extensive coverage of high-impact scientific journals. Relevant works were identified by defining search criteria targeting the presence of the terms „financial performance” and „profitability” in the subject of publications (title, keywords and abstract) between 1975 and 2025. The results obtained were analyzed using the bibliometric mapping tools provided by the Bibliometrix package in the R environment, respectively, through its graphical interface Biblioshiny, facilitating the interpretation of trends, collaboration networks, and dominant thematic areas.

The bibliometric analysis was performed on a sample of 2.481 scientific publications indexed in WoS, covering the period 1992-2025. The dataset includes 1.073 distinct sources (scientific journals, conference proceedings, books, and other types of publications), totaling 87.152 bibliographic references, which highlights a broad and diverse documentary framework.

From an authorship perspective, the analyzed papers were written by 6.006 authors, with an average of 2,42 authors per article and a collaboration index of 2,67, indicating a marked trend toward scientific cooperation and a clear orientation toward team-based research.

The thematic content analysis reveals a high degree of conceptual diversity. Thus, 2.560 Keywords Plus terms were identified, allowing for the observation of thematic connections between papers, while 5.637 keywords provided by authors reflect the plurality of theoretical and methodological approaches in studies dedicated to financial performance and profitability. This conceptual variety contributes to shaping an overview of the main research directions and areas of interest developed in the international literature.

In terms of scientific impact, the documents analyzed record an average of 25,9 citations per article, and the annual average number of citations is 2,96, indicating moderate to high visibility in the academic community. The average age of publications, approximately 6,76 years, indicates a balance between established contributions and recent research.

The evolution of scientific productivity, illustrated in Figure No. 1, highlights an upward trend in the number of scientific papers published, especially after 2015, with a maximum of 297 papers in 2024. The average annual growth rate, estimated at 10,55%, reflects the intensification of academic interest in the analysis of financial performance and profitability, in contrast to the period prior to 2005, which was characterized by relatively low scientific output. This development can be associated, among other things, with the expansion of access to financial databases and the digitization of economic and financial research.

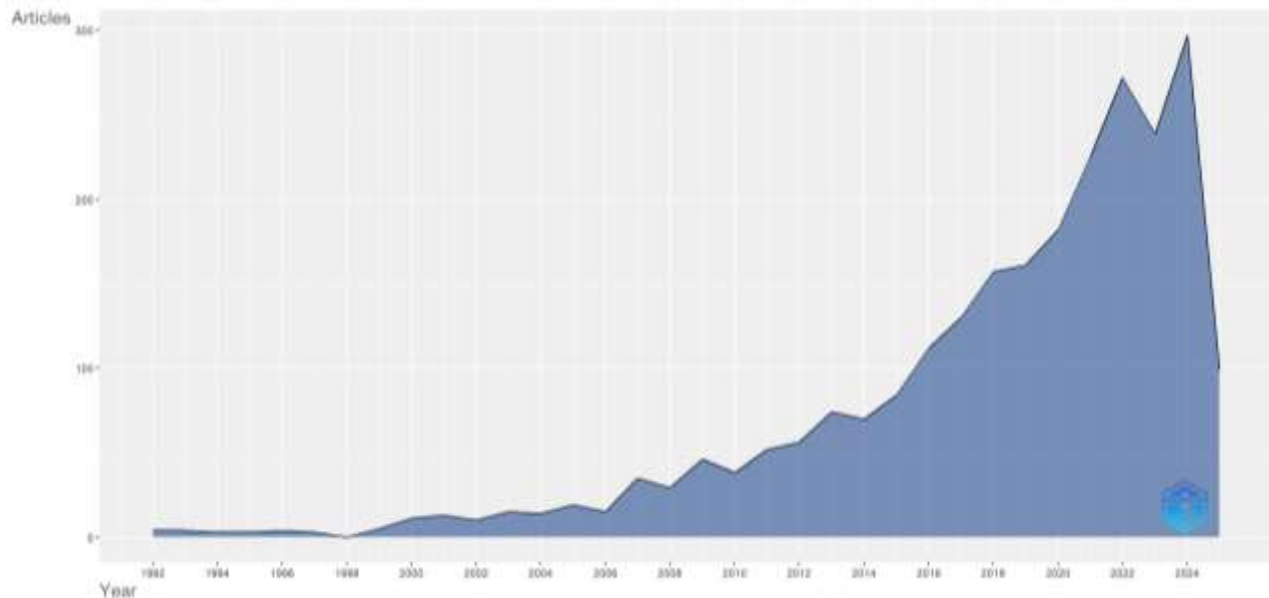


Figure No. 1. Evolution of annual scientific output over the period 1992-2025

Source: prepared by the author based on data extracted from WoS processed using Biblioshiny (graphical interface of the Bibliometrix R-package)

At the same time, the results highlight the existence of a dominant thematic core, centered on the concepts of financial performance and profitability, which is characterized by a high level of connectivity and conceptual coherence. These themes form the basis of research in the field and are frequently correlated with other relevant topics, confirming their central role in evaluating the economic and financial results of entities.

At the same time, there are consolidated but relatively independent areas of research focused on sustainability, corporate governance, and ESG criteria, reflecting the expansion of the analytical framework beyond traditional financial indicators. These themes indicate a progressive shift in the literature towards integrative approaches that include non-financial aspects in performance evaluation.

Overall, the thematic distribution reflects a field undergoing conceptual diversification, in which classic approaches focused on profitability coexist with modern perspectives oriented towards sustainability and corporate responsibility. This evolution supports the need to analyze financial performance in a broader framework, capable of integrating economic, social, and governance dimensions.

2. Evaluarea performanței financiare prin prisma ratelor de rentabilitate

According to Robu, V., Anghel, I., and Șerban, E.-C., profitability can be defined as „*the ability of a company to make a profit by using production factors and capital, regardless of their origin*” [1, p. 300] and represents a synthetic form of expressing the economic and financial performance of an entity, respectively, the use of production factors taking into account the stages of the economic cycle: supply, production, and sale [1, p. 301].

Profitability, as an expression of efficiency, is an essential indicator of financial performance, reflecting both the viability and resilience of entities in a constantly changing economic environment. It expresses the entity's ability to earn profit and is determined as the ratio between the economic and financial effects achieved by the entity and the efforts made to achieve them, the calculation formula being [5, p. 89]:

$$\text{Profitability} = \frac{\text{Economic and financial impact}}{\text{Effort}} * 100 \quad (1)$$

Profitability is measured using two categories of indicators: profit and rates of return. Profitability expressed in absolute terms is expressed as profit, and rates of return are determined as the ratio between the economic and financial effects obtained and the efforts made to obtain them [2, p. 213]. In general, rates of return are determined as the ratio between the economic and financial effects obtained and the efforts made to achieve them [1, p. 213].

Ratios are useful analytical tools that summarize a large volume of data in a form that is easier to understand, interpret, and compare. Ratios do not reflect the final point of analysis and do not, in themselves, represent positive or negative elements regarding the activity of an entity [1, p. 214]. Therefore, analysis based on profitability ratios must be correlated with the investigation of other factors before drawing relevant conclusions and making recommendations on the measures to be taken by the entity's management.

According to Professor Balteș, N., the assessment of whether a particular index is too high, too low, or appropriate depends on how the analyst interprets the results, taking into account, on the one hand, both the type of activity of the entity and its position within the sector and, on the other hand, the strategy adopted by the entity [1, p. 214].

A unilateral analysis of a single rate or several rates of return may lead to erroneous conclusions regarding the financial balance of the entity. For this reason, an integrated approach to rates with additional information on the entity's management and the economic conditions in which it operates is essential to obtain a true and fair view of the entity's economic and financial situation.

In economic practice, profitability can take different forms, depending on changes in the components of the basic formula. Based on Formula No. 1, profit, dividends, etc. are used as the economic and financial effect in calculating profitability, while sales revenue, cost of sales, total assets, equity, etc. are used as the effort.

The system of key profitability indicators is presented in Table No. 1, which shows that profitability indicators reflect the efficiency of various aspects of the entity's economic activity, with various users of financial statements having a stake in their calculation and analysis.

Table No. 1. General characteristics of profitability indicators

Indicators	Calculation method	Characteristics of indicators
1. Production profitability		
1.1. Return on sales revenue	$\frac{\text{Gross profit}}{\text{Revenue from sales}} * 100$	Reflects the gross profit earned per leu of sales revenue.
1.2. Profitability per product	$\frac{\text{Profit per product}}{\text{Product selling price}} * 100$	Reflects the profit earned per leu of sales revenue.
	$\frac{\text{Profit per product}}{\text{Cost per unit of product}} * 100$	or Reflects the profit earned at a cost of sales of one leu.
2. Return on assets		
2.1. Return on assets (economic)	$\frac{\text{Profit before tax}}{\text{Average value of assets}} * 100$	Reflects the profit before tax earned, on average, per one leu of assets.

Indicators	Calculation method	Characteristics of indicators
2.2. Return on production assets	$\frac{\text{Profit before tax}}{\text{Average value of fixed assets} + \text{Average value of current assets}} * 100$	Reflects the efficiency of using production assets to generate profit before tax.
3. Return on capital		
3.1. Return on equity (financial)	$\frac{\text{Net profit}}{\text{Average value of equity}} * 100$	Reflects the efficiency of using equity capital to generate net profit.
3.2. Return on permanent capital	$\frac{\text{Net profit (Profit before tax)}}{\text{Average value of permanent capital}} * 100$	Reflects the efficiency of permanent capital utilization in generating net profit or profit before tax.

Source: prepared by the author based on [5, p. 90]

A benchmark for assessing operational performance is the *return on sales*, which reflects the entity's ability to generate profit from the sale of products, goods, and services, reflecting the amount of profit generated per dollar of sales revenue. Therefore, the profitability of sales revenue reflects the link between the financial result and the sales revenue obtained by an entity and is determined based on the ratio between the amount of profit and the value of sales revenue [5, p. 91].

According to the literature, several methods can be used in analytical practice to calculate the profitability of sales revenue, depending on the type of profit taken into account when determining the level of profitability. Thus, the following can be used: gross profit, operating profit, profit before tax, and net profit.

According to local researcher Țiriulnicova, N. [5, p. 93], in analytical practice, in most cases, the profitability of sales revenue calculated on the basis of gross profit is used in the analysis, as the level of this indicator reflects how effectively sales, costs, and selling prices of products, goods, and services provided are managed, and the goal of any entity is to increase sales volume in order to obtain the highest possible profit.

In the first stage of the analysis, the dynamics of the profitability of sales revenue are assessed, according to Table No. 2, using the profit and loss statement as the source of information:

Table No. 2. Assessment of the dynamics of sales revenue profitability at „SICOM” SRL in the period 2022-2023

No.	Indicators	Year 2022	Year 2023	Absolute deviation, ±	Relative deviation, %
A	B	1	2	3 = 2-1	4 = 3/1*100
1.	Revenue from sales, lei	11.326.166	18.318.406	+6.992.240	61,74
2.	Gross profit, lei	2.776.913	5.663.508	+2.886.595	103,95
3.	Profit from operating activities, lei	2.069.856	3.212.997	+1.143.141	55,23
4.	Profit before tax, lei	2.127.589	3.204.749	+1.077.160	50,63
5.	Net profit, lei	2.088.905	3.000.338	+911.433	43,63
6.	Return on sales revenue (%), calculated based on:				
	6.1. <i>gross profit</i> (rd.2/rd.1*100)	24,52	30,92	+6,40	26,10
	6.2. <i>profit from operating activities</i> (rd.3/rd.1*100)	18,27	17,54	-0,74	-4,02
	6.3. <i>profit before tax</i> (rd.4/rd.1*100)	18,78	17,49	-1,29	-6,87
	6.4. <i>net profit</i> (rd.5/rd.1*100)				

No.	Indicators	Year 2022	Year 2023	Absolute deviation, ±	Relative deviation, %
		18,44	16,38	-2,06	-11,19

Source: prepared by the author based on data from the financial statements of „SICOM” SRL for 2023

Based on the calculations presented in Table No. 2, the return on sales calculated based on gross profit increased significantly, from 24,52% in 2022 to 30,92% in 2023. The absolute increase in the return on sales revenue by 6,40 p.p. in 2023 shows that for every leu of sales revenue, the entity earned 30,92 bani. Thus, the deviation suggests increased efficiency in managing production costs and a positive influence on economic and financial performance, highlighting the improvement in profitability based on operational activity.

The return on sales calculated based on operating profit decreased insignificantly, from 18,27% in 2022 to 17,54% in 2023. The 0,74 p.p. decrease in the indicator suggests that operating expenses grew at a slightly faster pace than revenues, marginally eroding the benefit of the increase in gross profit. Given that the deviations are minor, it can be concluded that the entity's operating efficiency remained relatively constant.

Similarly, the return on sales calculated based on pre-tax profit also decreased by 1,29 percentage points, and the amount of profit before tax obtained per leu of sales revenue decreased from 18,78 bani in 2022 to 17,49 bani in 2023. The calculated reduction indicates that the financial result did not significantly influence profitability, and the entity converted a lower percentage of sales revenue into profit before tax, indicating a decrease in pre-tax financial performance.

Similarly, the return on sales calculated on the basis of net profit declined at a more pronounced rate, from 18,44% in 2022 to 16,38% in 2023. The absolute deviation of 2,06 p.p. in 2023 corresponds to a relative reduction of 11,19% compared to 2022. The decline in the indicator reflects the entity's reduced efficiency in converting sales revenue into net profit in the current year compared to the previous year. One of the reasons for the decrease is the increase in income tax expenses in 2023, which further reduced the profit remaining from each unit of revenue. Thus, although net profit in absolute terms increased by 911.433 lei in 2023, the entity retained proportionally less profit from the revenues obtained, reflecting a „*deterioration*” in the entity's economic and financial performance, with a larger portion of revenues being consumed by costs and obligations (including tax) in 2023.

In order to carry out its economic activity, the entity consumes economic resources reflected in the balance sheet in the form of assets. The efficiency of their management directly influences the entity's ability to generate liquidity, meet its financial obligations when due, and maintain financial balance. Therefore, one of the most important indicators of the efficient use of assets is the *return on assets*.

In financial analysis theory and practice, return on assets is also referred to as economic return. In economic terms, it reflects the level of profit obtained from each dollar invested in the entity's operations, regardless of the source of financing. If the entity incurs accounting losses, the level of return on assets will be negative and will express the level of losses obtained from each leu of the entity's assets [5, p. 118].

The analysis begins with an assessment of the evolution of asset profitability. For this purpose, data from the balance sheet and profit and loss statement are used, as shown in Table No. 3:

Table No. 3. Assessment of asset profitability dynamics at „SICOM” SRL in the period 2022-2023

No.	Indicators	Year 2022	Year 2023	Absolute deviation, ±	Relative deviation, %
A	B	1	2	3 = 2-1	4 = 3/1*100
1.	Profit before tax, lei	2.127.589	3.204.749	+1.077.160	50,63
2.	Value of assets at the beginning of the year, lei	4.220.362	10.982.981	+6.762.619	160,24
3.	Value of assets at year-end, lei	10.982.981	15.353.489	+4.370.508	39,79
4.	Average value of assets [(rd.2+rd.3)/2], lei	7.601.672	13.168.235	+5.566.564	73,23
5.	Return on assets (rd.1/rd.4*100), %	27,99	24,34	-3,65	-13,05

Source: prepared by the author based on data from the financial statements of „SICOM” SRL for 2023

The data in Table No. 3 shows that pre-tax profit increased from 2.127.589 lei in 2022 to 3.204.749 lei in 2023, representing an absolute increase of 1.077.160 lei or around 50.63%. This positive trend indicates an improvement in financial performance, highlighting the entity's increased ability to generate profit from its operating activities during 2023 compared to the previous year.

Average assets increased by 5.566.564 lei in 2023 compared to 2022, corresponding to an increase of 73,23%. This jump highlights that the entity had, on average, a much larger asset base in 2023 compared to the previous year, thus making more economic resources available for generating revenue and profit.

However, return on assets declined moderately, suggesting relatively lower efficiency in the use of assets to generate profit. In percentage terms, it decreased by 3,65 p.p., equivalent to a relative negative deviation of 13,05%. In other words, for every leu invested in assets, the entity generated less profit than in 2022. This seemingly paradoxical development can be explained by the pace of the two variables: the value of total assets grew much faster than the profit obtained. Although profit before tax increased considerably, the disproportionate increase in assets diluted profitability, reducing the rate of return.

The level of return on assets may increase or decrease, either by increasing or decreasing the level of return on sales, or by accelerating or slowing down asset turnover. Thus, it follows that the level of return on assets is determined by the influence of the following factors: *changes in the return on sales* and *changes in the number of asset turnovers*.

The calculation of the influence of factors on the deviation of the return on assets can be performed using the chain substitution method or its variants, according to Table No. 4:

Table No. 4. Calculation of the influence of factors on the deviation of the return on assets

No.	Indicators	Year 2022	Year 2023	Absolute deviation, ±	Including from the amendment:	
					return on sales revenue	number of asset turnovers
A	B	1	2	3=2-1	4	5
1.	Revenue from sales, lei	11.326.166	18.318.406	+6.992.240		
2.	Profit before tax, lei	2.127.589	3.204.749	+1.077.160		
3.	Average value of assets, lei	7.601.672	13.168.235	+5.566.564		

4.	Return on sales revenue (rd.2/rd.1*100), %	18,78	17,49	-1,29		
5.	Number of total asset turnovers (rd.1/rd.3), times	1,490	1,391	-0,099		
6.	Return on assets (rd.2/rd.3*100), %	27,99	24,34	-3,65	$(-1,29) * 1,490 = -1,92$	$-0,099 * 17,49 = -1,73$

Source: prepared by the author based on data from the financial statements of „SICOM” SRL for 2023

Verification: $24,34 - 27,99 = (-1,92) + (-1,73) \rightarrow (-3,65) = (-3,65)$

According to the data in Table No. 4, the negative deviation in return on assets in 2023, in absolute terms of 3,65 p.p., from 27,99% in 2022 to 24,34% in 2023, can be explained by the combined action of two components: the change in the return on sales and the asset turnover rate.

The first component, return on sales, decreased from 18,78% in 2022 to 17,49% in 2023, recording a decrease of 1,29 p.p. This decrease directly contributed to the reduction in the level of return on assets, with an estimated impact of 1,92 p.p., calculated by multiplying the variation by the level of asset turnover in 2022.

The second factor analyzed, the number of total asset turnovers, decreased from 1,490 turnovers in 2022 to 1,391 times in 2023, or by 0,099 units. The decline in asset utilization efficiency had a negative impact on asset profitability of 1,73 p.p., determined by multiplying the change in the number of rotations by the level of return on sales revenue in 2023.

The numerical verification reflects that the total deviation of the indicator is determined by the moderate decrease in both the profitability of sales revenue and the efficiency of asset utilization. Despite the fact that „SICOM” SRL recorded higher pre-tax profits in 2023, the disproportionate increase in assets and the reduction in turnover led to a decrease in their total profitability. Thus, the economic performance of the analyzed entity needs to be optimized not only by maximizing profit, but also by making the use of economic resources more efficient.

During its economic activity, the entity consumes financial resources, and assessing the efficiency of their use is essential for determining the entity's ability to generate the financial results necessary to finance its investments and repay its debts. In this context, it is necessary to analyze the return on equity.

Return on equity reflects the entity's ability to use its equity to generate profit. Through this indicator, capital owners assess the efficiency of investments, i.e., they characterize the amount of profit obtained for each dollar invested in equity [5, p. 125]. In financial analysis theory and practice, this is also referred to as financial profitability. Therefore, the financial profitability ratio is one of the benchmark indicators in analyzing an entity's performance, being of interest to both the entity's owners and future investors [2, p. 387].

At the first stage of the analysis, the level and dynamics of return on equity are examined, as shown in Table No. 5:

Table No. 5. Analysis of the dynamics of return on equity at „SICOM” SRL in the period 2022-2023

No.	Indicators	Year 2022	Year 2023	Absolute deviation, ±	Relative deviation, %
A	B	1	2	3=2-1	4=3/1*100
1.	Profit before tax, lei	2.127.589	3.204.749	+1.077.160	50,63
2.	Net profit, lei	2.088.905	3.000.338	+911.433	43,63
3.	Equity value at the beginning of the year, lei	2.577.242	4.666.147	+2.088.905	81,05

No.	Indicators	Year 2022	Year 2023	Absolute deviation, ±	Relative deviation, %
4.	Equity value at year-end, lei	4.666.147	7.666.485	+3.000.338	64,30
5.	Average value of equity [(rd.3+rd.4)/2], lei	3.621.695	6.166.316	+2.544.622	70,26
6.	Return on equity, calculated based on profit before tax (rd.1/rd.5*100), %	58,75	51,97	-6,77	-11,53
7.	Return on equity, calculated based on net profit (rd.2/rd.5*100), %	57,68	48,66	-9,02	-15,64

Source: prepared by the author based on data from the financial statements of „SICOM” SRL for 2023

The data presented in Table No. 5 shows a significant increase in the entity's profitability in 2023 compared to the previous year. Profit before tax increased by 1.077.160 lei or 50,63% compared to 2022, and net profit by 911.433 lei or 43,63%. These positive developments indicate an increased capacity to generate financial results from operational activity.

At the same time, equity capital increased significantly, practically doubling at the beginning of the period – by 81,05%, and at the end of the period 2023 it recorded an increase of 64,30%. As a result, the average value of equity increased by 2.544.622 lei, equivalent to an increase of 70,26%, reflecting a consolidation of the financial base of the entity under review.

However, return on equity decreased in 2023 compared to 2022. Return on equity, calculated based on pre-tax profit in 2022, was 58,75%, meaning that for every leu of own funds, the entity earned 58,75 bani in pre-tax profit, while in the financial year it was only 51,97 bani, a decrease of 6,77 p.p. compared to the previous year. At the same time, the return calculated based on net profit decreased by 9,02 p.p. or 15,64% compared to 2022. These developments can be explained by the higher growth rate of equity compared to the dynamics of profits, which led to a relatively lower efficiency in the use of own resources.

Although „SICOM” SRL recorded superior financial performance in 2023, the efficiency of equity capital utilization declined, signaling the need to optimize the structure and allocation of financial resources to ensure sustainable profitability in the medium and long term.

The analysis of return on equity is a complex study that can be used to determine the multitude of factors that contribute to its change over a management period [5, p. 127]. Based on this analysis, decisions necessary in the economic and financial field can be made, aimed both at improving unfavorable situations and at formulating new decision-making directions in entrepreneurial activity.

3. Conclusions

Consequently, the analysis of financial profitability carried out using indicators derived from sales revenue, assets, and equity allowed for a comprehensive assessment of the financial performance of „SICOM” SRL during the period under review. The increase in the profitability of sales revenue, calculated on the basis of gross profit, indicates increased efficiency in the management of core commercial activities. However, the decreases recorded in profitability calculated on the basis of other forms of profit indicate upward pressure on operating and tax expenses. In this context, although profit has increased, the decline in return on assets shows that the expansion of the resource base has not been matched by a proportional increase in the efficiency of their use, which signals a moderate decline in the analyzed entity's ability to generate profit from its assets.

Therefore, rates of return not only describe the results obtained, but also become essential benchmarks in the process of evaluating strategic alternatives, allocating resources, and managing risks. The basis for decision-making depends on the relevance of the data provided for analysis in the financial statements, and financial data can ensure the quality of managerial decisions if they are comparable, verifiable, timely, and understandable. Thus, the annual financial statements must

provide a true and fair view of the entity's financial position and performance, as well as changes in its equity and the formation of its cash flows [6, p. 52].

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